

NZX: SPY
ASX: SMP

SHARE INFORMATION

Issued Shares: 171,752,278

BOARD OF DIRECTORS

Non- Exec Chairman: Greg Barclay
Managing Director: Bradley Gerdis
Non-Executive: Matthew Turnbull
Executive Director: Marty Pomeroy

WEBSITES

www.smartpay.co.nz
www.smartpay.com.au

REGISTERED OFFICES

New Zealand:
205 – 209 Wairau Road
Wairau Valley
Auckland 0627
New Zealand

Phone: +64 (0)9 442 2700
Fax: +64 (0)9 442 2722

info@smartpay.co.nz

Australia:
Level 2
117 York Street
Sydney
NSW 2000

Phone: +61 (0)2 7903 6302
Fax: +61 (0)2 9869 4223

info@smartpay.com.au

Company Update

31 August 2016

Smartpay is pleased to provide the following company update.

- The company is on track to show strong growth in revenue and bottom line profitability this year.
- Recently released new Australian terminals delivering increased growth rates.
- New product launches underway including closed-loop payment system for transport market and updated retail content delivery platforms (TV and Radio). Both products have immediate customer demand.
- Investment into tech and innovation capability and Australian marketing resource to drive growth.
- Progressing towards adding accretive acquiring capability.

Strategy Update

At our AGM in September last year, we articulated our clear strategy focused on the following 4 areas:

- i. Australian Growth;
- ii. New Zealand;
- iii. Vertical Integration into Payments Transactional Revenue; and
- iv. Corporate Activity / M&A.

We have and continue to make progress across all areas as follows.

1. Australian Growth

Retail Sector

Earlier this year we announced to the market the release of our new Wifi / Bluetooth MPOS mobile integrated terminals and our “Smartlink” integrated payments software which provides the functionality to seamlessly integrate payments with point of sale and other software applications running on iPhones / iPads / Android phones and tablets or Windows devices. We have seen a marked increase in our Australian terminal sales following the introduction of this new technology as merchants respond to the greater functionality now available from Smartpay. At launch we had a small number of integrated partners and we continue to build these where available as the more integrated partners we have the broader our addressable market.

We have recently further enhanced this MPOS terminal to include 3G, IP and dial communications. We now have what we believe to be a unique and market leading EFTPOS terminal product with multiple capabilities in a single unit. This is an important milestone as it streamlines our terminal range from what was previously 3 separate varieties into a single terminal type which is anticipated to reduce future support and maintenance costs.

With what we believe to be a best in market product, our resource allocation is now shifting from product development and launch phase to marketing.

To this end we are currently in the process of hiring an experienced Group Marketing Executive to be based in our Australian office to expand our market presence with a primary focus on Australian sales growth. Simply put, while the growth we are seeing in our Australian sales is encouraging, it remains modest in the context of the size of the 800,000 + Australia EFTPOS market. With a market leading product and dedicated marketing resource, we expect to achieve further increases in sales volumes.

Transport Sector

Smartpay has a significant presence in the transport sectors in both Australia and New Zealand. In New Zealand we are the primary provider of in-car payments solutions into the taxi industry. In Australia we are an emerging competitor in the taxi payments industry where we supply EFTPOS terminals and transaction processing and reporting to taxi operators. We also provide a payments system employed as part of the Victorian Government's Public Transport "myki" travel card used on Melbourne's trains, trams and buses.

There is no doubt that the transport sector in Australia continues to undergo structural change. To date Smartpay has been a net beneficiary of these changes as an emerging contender through our superior technology capability and product offering. Our experience in this space has demonstrated the opportunity for innovation led market share growth. We continue to innovate through new product development where we see clear and tangible customer demand.

We have recently developed a closed-loop payments system for the transport sector which we are currently releasing into Australia. The system encompasses a proprietary card issuing and acceptance capability which allows users of the system to run their own closed-loop payments and reward systems. Smartpay provides the cards, which are issued to end-users, and the terminals, which complete the acceptance network. Smartpay also hosts the system, processes the transactions and provides a powerful card management portal complete with real-time reporting and settlement capability.

We have secured our first customer for this new product in the form of a significant municipal council which will be adopting our new closed-loop payments system to streamline their existing transport subsidy program. The municipal council will issue our cards to all of their current subsidised travel recipients who will be able to use the cards for travel in taxis using our terminals. This requires the primary taxi network in the respective municipal region to have our terminals in their cars which promotes the growth of our taxi terminal business. Importantly this is an additional functionality we have added to our existing taxi terminal in Australia so the taxi operators can standardise on our terminal for acceptance of both this closed-loop payment system and also general credit and debit cards.

While we have developed this product for an initial launch into the transport sector, we are seeing demand for this type of closed-loop payments capability from other areas and expect that based on our experience in the transport sector we will ultimately adapt and monetise this product into other verticals.

2. New Zealand

As a market leader with a large market share in NZ, we continue to achieve net growth in our NZ terminal network, albeit at a relatively modest level given the large base we already have.

To augment this growth our primary focuses are on achieving cost efficiencies to boost margin and market competitiveness and targeting further revenue opportunities into our extensive merchant network. An example of our success in this area is the recent uplift in revenue from our NZ taxi segment following the launch of our new payments technology into that vertical, as previously announced to the market.

We are also seeing increasing revenue opportunities from our market leading retail content delivery platforms, Retail Radio and TV. These are existing Smartpay products which deliver fully licensed sound and video into retail stores allowing retailers to customise the in-store experience with targeted marketing messages. Smartpay provides its proprietary in-store technology and manages the content delivery. While we currently have long term customers using this service, we are seeing increasing demand from larger retail groups in both NZ and Australia and are therefore resourcing for the growth of this business as a natural cross sell to our retail payments technology offering.

We continue to invest in what we regard to be the best available technology skills to drive the next phase of innovation led growth.

3. Vertical Integration into Payments Transactional Revenue

The Australian payments industry is currently undergoing significant regulatory reform which is opening access to parts of the value chain traditionally limited to regulated banks. A key element is the removal last year of the requirement to have a banking license to participate in acquiring of EFTPOS transactions which limited the ability of non-bank businesses such as Smartpay to participate in the transactional revenue generated from card transactions through EFTPOS terminals.

As foreshadowed at last year's AGM, Smartpay considers these changes to be an accretive opportunity for our company as the majority of our current Australian EFTPOS revenues are limited to hardware rental fees.

We have a project underway to be able to offer our EFTPOS merchants an acquiring facility alongside our terminal offering. As this is a complex project involving external parties, timing on entering the market is yet to be finalised but our current expectation is early next year.

Completion of this project will enable Smartpay to participate in the transactional fee pool generated by our terminals which we believe will offer margin accretion and create further opportunities for growth in both our EFTPOS terminal network and ancillary products and services which we can only offer when we participate directly in the revenue flow through our terminals.

4. Corporate Activity / M&A

The fourth prong of our strategy is to augment our organic growth with targeted corporate / M&A activity. This continues to be a focus and we have a number of opportunities, both large and small currently under consideration. We have also looked at and dismissed potential acquisition opportunities where we didn't believe we could achieve a sufficiently accretive outcome for our shareholders. Of the current opportunities we have under consideration, none are at the point of sufficient certainty to warrant disclosure. We will continue to seek out and evaluate these and other opportunities and will inform the market as and when our disclosure obligations require.



Summary and Outlook

We are making substantial progress in the execution of our strategy and continue to invest accordingly. We are 5 months into the financial year and while too early to give definitive earnings guidance the Board is confident that the progress we are achieving in the business will result in strong growth in revenue and bottom line profit in the current financial year.

We look forward to providing further updates in the course of the year as we continue our progress.

ENDS

For further information contact:

Bradley Gerdis, Managing Director, +64 (9) 442 2717 / +61 (2) 7903 6333.



Corporate Directory

Registered and Principal offices

New Zealand:

205 – 209 Wairau Road
Wairau Valley, Auckland 0627

Email: info@smartpay.co.nz

Phone: +64 (0)9 442 2700

Fax: +64 (0)9 442 2722

Website:

www.smartpay.co.nz

Australia:

Level 2, 117 York Street
Sydney, NSW 2000

Email: info@smartpay.com.au

Phone: +61 (0)2 7903 6302

Fax: +61 (0)2 9869 4223

Website:

www.smartpay.com.au

Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

New Zealand:

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142

Phone: + 64 (0)9 488 8700

Fax: + 64 (0)9 488 8787

Australia:

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001

Free phone: 1 800 501 366

Fax: +61 (0)3 9473 2500